



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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STATEMENT BY CALIFORNIA TREASURER ANGELIDES ON SCHWARZENEGGER ADMINISTRATION'S APPROVAL OF PACIFICARE -- UNITEDHEALTH MERGER *Merger Will Provide \$345 Million to Top PacifiCare Executives, Was Unanimously Opposed by CalPERS*

SACRAMENTO, CA – California State Treasurer Phil Angelides issued the following statement regarding the Schwarzenegger's administration's approval of the merger between PacifiCare Health Systems and UnitedHealth Group. The merger approved today by Governor Schwarzenegger's Department of Managed Health Care includes an executive compensation package that provides PacifiCare's top 39 executives \$345 million in accelerated options and bonus payouts. The merger was also approved today by the California Department of Insurance.

"Today, Governor Schwarzenegger turned his back on consumers and patients and placed his seal of approval on an exorbitant executive compensation package for PacifiCare's HMO executives. The enormous sums PacifiCare executives stand to receive simply because of the merger with UnitedHealth are clearly excessive, and are an example of the kind of misguided get-rich-quick mentality that pervades HMO boardrooms, while providing no benefit to shareholders and patients.

"The Schwarzenegger Administration's approval of this merger is particularly troubling in light of recent revelations regarding PacifiCare executives' conduct. PacifiCare executives began exploring a merger with UnitedHealth as early as December 2004 – before they proposed the compensation plan that will shower PacifiCare's HMO executives with benefits. All the while, PacifiCare shareholders were left in the dark, unaware of the proposed merger until after the compensation plan had been approved.

"Governor Schwarzenegger had the chance to reject this unseemly scheme and take a stand against massive payouts for HMO executives. Sadly, it appears the Governor was both unwilling and unable to stand up for hard working Californians struggling to afford healthcare for their families.

"While I greatly appreciate the good work that Insurance Commissioner Garamendi has done on behalf of California consumers and underserved communities, I remain deeply troubled by this merger's excessive compensation for executives."

At California State Treasurer Phil Angelides' urging, the California Public Employees' Retirement System (CalPERS) board voted unanimously to oppose the merger of PacifiCare Health Systems and UnitedHealth Group unless PacifiCare brought the executive compensation plan back to shareholders for approval.

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